



METROPOLITAN
TRANSPORTATION
COMMISSION

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Memorandum

TO: Administration Committee

DATE: November 7, 2007

FR: Chief Financial Officer

W.I.:

RE: MTC Resolution No. 3836: MTC Assignment of BART Loan Receivables to BATA in Exchange for Lump Sum Payment

Recommendation:

For purposes of advancing implementation of the BART Oakland Airport Connector project and future Resolution 3434 projects, staff recommends that the Committee refer MTC Resolution No. 3836 to the Commission to authorize the assignment of the balance of the BART Loan receivables negotiated in 2006 from MTC to BATA. In exchange, BATA will transfer \$47 million in bridge toll revenues to the MTC East Bay Rail Extension Reserve.

Discussion:

Pursuant to Section 30914(a)(4) of the California Streets and Highways code, BATA transfers funds paid on the San Francisco-Oakland Bay Bridge to MTC for rail capital transit improvements. The funds transferred, just under \$10 million annually, are to be divided 70% / 30% for East and West Bay rail projects respectively.

Under an MOU signed in 1999 by MTC, BART and SamTrans, MTC committed a total of \$60 million in East Bay Rail Extension Reserve funds to the BART SFO extension project. The MOU created a loan between the East and West rail reserves. In 2006, MTC agreed to permit BART to amend the repayment terms of the East Rail Reserve funds advanced for the BART SFO extension project. As of June 2007, BART has paid \$13 million in principal and paid \$1.4 million in interest.

The BART Oakland Airport Connector, part of the region's Resolution 3434 transit expansion program, has been proceeding to award of a Design/Build contract. In a separate request being considered by the Programming and Allocations Committee, the Commission will be asked to allocate the \$31 million funding commitment from the East Bay Rail Extension Reserve to the Oakland Airport Connector project. However, with a total cash balance of only \$28 million, the Reserve does not currently have sufficient available cash to meet a 2008 funding commitment. The East Bay Rail Extension Reserve does, however, have the \$47 million BART Loan

receivable. The loan receivable, which when combined with the cash balance of \$28 million and 2008 interest of \$1.4 million provides an overall fund balance of just over \$76 million.

Given the amount of immediate assets available to the East Rail Reserve, MTC has two choices available:

- (1) Limit the BART draws to available cash, or
- (2) Combine the cash and loan balances to provide sufficient funding for the project commitment.

The second option allows MTC to make a full, non-contingent commitment to BART for the full amount of funding needed at the time that BART approves its contract. In addition, the second option provides the East Rail Reserve with some additional capacity to meet other East Bay Rail Extension projects that will look for funding in the near future.

Proposed Assignment of Assets from MTC to BART

The \$47 million, plus interest, balance of the BART Loan due to the East Bay Rail Extension Reserve account is scheduled to be repaid through 2014. Staff recommends that MTC reassign these future BART loan receivable payments to BATA for an immediate cash payment. That is, BATA will “purchase” the BART loan receivable payments from the MTC East Bay Rail Reserve Extension and, in exchange, transfer \$47 million to the Reserve. MTC achieves immediate access to funds while BATA obtains an interest-bearing asset secured by the BART payments, as well as the annual rail payments. The 2006 MTC-BART loan repayment agreement will remain unchanged.

The proposed assignment of the BART Loan receivables from MTC to BATA achieves a number of financial objectives for MTC and BART while putting little risk on BATA. These objectives include:

- Funds the \$31 million obligation without any timing restrictions.
- Allows BART to enter into a more efficiently funded contract.
- Removes a potential barrier to project delivery.
- Fully funds the East Bay Rail Extension Reserve repayment of the loan to the BART SFO extension.
- The East Bay Rail Extension Reserve will earn interest on its cash balances that will slightly exceed the interest rate paid on the loan while BATA receives the balance and interest on the loan.
- The assignment of assets allows East Bay Rail Extension Reserve projects to proceed immediately by providing immediate access to funds rather than waiting through 2014.

In exchange for providing MTC and the East Bay Rail Extension Reserve with immediate access to \$47 million in cash-flow, BATA will receive all of the future principal and interest payments due from BART (less a pro-rata share of 2008 interest due). In the event of a future BART

payment disruption, MTC retains the legal obligation and responsibility to seek any payment due. BATA will be made whole by withholding future East Rail Reserve transfers until the delinquency is recovered or the balance is repaid. MTC will retain all of its contract protections and enforcement rights against BART until the BART obligation to the East Rail Reserve is satisfied.

Staff recommends that the Committee approve Resolution 3836 and refer it to the full Commission for adoption.

Brian Mayhew

SH:BM:cj